

PUBLIC DISCLOSURE

February 18, 1997

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Regency Bank

05512390

P. O. Box 85154

Richmond, Virginia 23285-5154

Federal Reserve Bank of Richmond

P. O. Box 27622

Richmond, Virginia 23261

This evaluation is not, nor should it be construed as, an assessment of the financial condition of this institution. The rating assigned to this institution does not represent an analysis, conclusion or opinion of the federal financial supervisory agency concerning the safety and soundness of this financial institution.

GENERAL INFORMATION

The Community Reinvestment Act (CRA) requires each Federal financial supervisory agency to use its authority when examining financial institutions subject to its supervision, to assess the institution's record of meeting the credit needs of its entire community, including low- and moderate-income neighborhoods, consistent with safe and sound operation of the institution. Upon conclusion of such examination, the agency must prepare a written evaluation of the institution's record of meeting the credit needs of its community.

This document is an evaluation of the Community Reinvestment Act (CRA) performance of Regency Bank, Richmond, Virginia, prepared by The Federal Reserve Bank of Richmond, the institution's supervisory agency, as of February 18, 1997. The agency rates the CRA performance of an institution consistent with the provisions set forth in Appendix A of 12 CFR Part 228.

INSTITUTION'S CRA RATING: This institution is rated Satisfactory.

The bank's loan-to-deposit ratio is considered more than reasonable given its financial capacity, location, and demand for credit in the area. A majority of loans sampled during the examination were extended to borrowers residing within the assessment area. The institution's lending to low- and moderate-income borrowers and to businesses with revenues under \$1 million demonstrates an overall satisfactory level of performance. Additionally, the geographic distribution of loans inside the assessment area appears reasonable given local demographics.

The following table indicates the performance level of Regency Bank with respect to each of the five performance criteria.

SMALL INSTITUTION ASSESSMENT CRITERIA	<u>Regency Bank</u> PERFORMANCE LEVELS		
	Exceeds Standards for Satisfactory Performance	Meets Standards for Satisfactory Performance	Does not meet Standards for Satisfactory Performance
Loan to Deposit Ratio	X		
Lending in Assessment Area		X	
Lending to Borrowers of Different Incomes and to Businesses of Different Sizes		X	
Geographic Distribution of Loans		X	
Response to Complaints	No complaints have been received since the prior examination.		

DESCRIPTION OF INSTITUTION

Regency Bank operates three offices within the City of Richmond, Chesterfield and Henrico Counties, Virginia. As of December 31, 1996, the bank had \$72 million in assets, of which 66% were loans. Various deposit and loan products are available through the institution including loans for commercial, small business development, residential mortgage, and consumer purposes. The loan portfolio as of December 31, 1996, was comprised of the following: 68% commercial, 17% real estate secured (consumer and business), and 15% consumer. Based on the number of loans extended, business loans have been identified as the bank's primary lending product. The institution's previous CRA rating was satisfactory.

DESCRIPTION OF ASSESSMENT AREA

The institution's assessment area includes the following census tracts within the City of Richmond and Henrico and Chesterfield Counties:

<u>Richmond City</u>	<u>Henrico County</u>	<u>Chesterfield County</u>
101.98 to 104.00	2001.01 to 2004.04	1009.02
111.00	2004.07 to 2007.98	1009.94
205.00	2008.04 to 2008.05	
302.00 to 506.00		
701.00 to 703.00		
704.00		

The assessment area contains 74 census tracts, of which 70 are populated. Of the populated geographies, six are low-income, 16 are moderate-income, 26 are middle-income, and 22 are upper-income. According to 1990 census, the market area has a population of 226,530 and is located within the Richmond Metropolitan Statistical Area (MSA). The 1996 median family income for the MSA is \$49,300.

The following table provides assessment area demographics by the income level of families and the percentage of population living in census tracts of varying income levels. As illustrated by this chart, a majority of families within the market (78%) are middle- and upper-income and 69% of the population reside in middle- and upper-income census tracts.

	Low- Income	Moderate- Income	Middle- Income	Upper- Income	Total
Percentage of Area Families by Income Level	4%	18%	36%	42%	100%
Percentage of Population Residing in Census Tracts by Income Level	15%	16%	22%	47%	100%

The local economy is diverse with a mixture of manufacturing, service, and government employment opportunities. The current unemployment rates for the City of Richmond, and Chesterfield and Henrico Counties are 4.5%, 2.9%, and 2.7%, respectively. The current jobless rate for the Commonwealth of Virginia is 3.9%. Community contacts were performed with representatives from a local housing organization and local government to further assist in evaluating the bank's CRA performance. The contacts indicated the need for additional housing loans and educational programs for residents of low- and moderate-income areas.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

LOAN-TO-DEPOSIT RATIO

The average loan-to-deposit ratio for the previous six quarters is 83% and is considered more than reasonable given the bank's financial capacity, size, and current local economic conditions. The bank's level of lending is responsive to the area's loan demand. The average loan-to-deposit ratio for banks headquartered in a metropolitan area of Virginia and of similar size to Regency Bank is 71%.

LENDING IN ASSESSMENT AREA

A review of 111 loans was conducted to determine the volume of lending within the bank's assessment area. The sample included 64 business and 47 consumer loans. As illustrated by the following chart, a majority of the number and dollar amounts of the sampled loans have been provided to borrowers residing within the assessment area.

Comparison of Credit Extended Inside and Outside of Assessment Area

	Inside Assessment Area	Outside Assessment Area	Total
Total Number of Loans	78	33	111
Percentage of Total Loans	70%	30%	100%
Total Amount of Loans(000's)	\$8,704	\$2,833	\$11,537
Percentage of Total Amount	75%	25%	100%

LENDING TO BORROWERS OF DIFFERENT INCOMES AND TO BUSINESSES OF DIFFERENT SIZES

The following charts illustrate the distribution of the sampled business and consumer loans extended within the assessment area to businesses of different sizes and by income level of borrower.

Distribution of Loans by Size of Business

	Revenues ≤ \$ 1 Million	Revenues > \$ 1 Million	Total
Total Number of Loans	34	12	46
Percentage of Total Loans	74%	26%	100%
Total Amount of Loans	\$4,490	\$1,982	\$6,472
Percentage of Total Amount	69%	31%	100%

The high percentage (74%) of the number and dollar amount of loans provided to businesses with gross revenues of \$1 million or less demonstrates the bank's responsiveness to small business credit needs.

Distribution of Loans by Income Level of Borrower

Consumer Loans

	Low-Income	Moderate- Income	Middle- Income	Upper-Income	Total
Total Number of Loans	1	1	1	28	31
Percentage of Total Loans	3%	3%	3%	91%	100%
Total Amount of Loans(000's)	\$15	\$300	\$12	\$1,897	\$2,224
Percentage of Total Loans	1%	13%	1%	85%	100%

The volume of consumer loans extended to low- and moderate-income residents (6%) is significantly lower than the representation of such families within the assessment area (22%). Middle- and upper-income families make up 36% and 42% of the community, respectively. As mentioned previously, the bank has primarily focused its lending efforts on meeting the needs of local businesses. Consumer loans are usually provided as an accommodation to existing business customers. Consequently, the majority of the consumer loans extended by the institution are to upper-income residents.

GEOGRAPHIC DISTRIBUTION OF LOANS

The review of loan files also included an analysis of lending among various census tracts within the institution's assessment area. The following charts illustrate the distribution of sampled business and consumer loans according to income level of census tract.

Distribution of Loans in Assessment Area by Income Level of Census Tract
Business Loans

	Low-Income	Moderate-Income	Middle-Income	Upper-Income	Total
Total Number of Loans	9	6	12	19	46
Percentage of Total Loans	20%	13%	26%	41%	100%
Total Amount of Loans(000's)	\$1,961	\$514	\$727	\$3,270	\$6,472
Percentage of Total Loans	30%	8%	11%	51%	100%

Distribution of Loans in Assessment Area by Income Level of Census Tract
Consumer Loans

	Low-Income	Moderate-Income	Middle-Income	Upper-Income	Total
Total Number of Loans	0	2	5	25	32
Percentage of Total Loans	0%	6%	16%	78%	100%
Total Amount of Loans(000's)	\$0	\$120	\$140	\$1,972	\$2,232
Percentage of Total Loans	0%	6%	6%	88%	100%

The geographic distribution of lending for business loans is considered reasonable given the local population residing within geographies of various income levels. The percentage of business loans extended in low- and moderate-income census tracts (33%) is slightly higher than the market population (31%) residing within such areas. Although only 6% of consumer loans were extended to low- and moderate-income borrowers, the bank's lending efforts, as previously mentioned, are primarily focused on meeting the credit needs of new and existing business customers.

COMPLIANCE WITH ANTIDISCRIMINATION LAWS AND REGULATIONS

No credit practices inconsistent with the substantive provisions of the fair housing and fair lending laws and regulations were identified. Technical violations of the Equal Credit Opportunity Act's Regulation B and the Home Mortgage Disclosure Act's Regulation C were noted. Adequate policies, procedures, and training programs have been developed to support nondiscrimination in lending and credit activities.